

**BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-275-WS**

**A STUDY OF THE FEASIBILITY OF ESTABLISHING AN INTERCONNECTION FOR THE PROVISION
OF BULK WATER DISTRIBUTION SERVICE BY CAROLINA WATER SERVICE, INC. TO THE FORTY
LOVE POINT AND INDIAN FORK SUBDIVISIONS**

In Carolina Water Service, Inc. (“CWS”)’s last rate case, the Public Service Commission (“Commission”) approved a settlement in which the parties agreed, among other things, to study the feasibility of establishing an interconnection of the company’s water system in the Forty Love Point and Indian Fork subdivisions to the City of Columbia’s water system.¹

If the interconnection is established, CWS would provide water distribution service to the residents of Forty Love Point and Indian Fork with bulk water purchased from the City of Columbia instead of providing water service from its wells. The Commission directed the parties to report on the findings of the feasibility study six months from the issuance of its Order (a six-day extension was subsequently granted by the Hearing Officer).

CWS and representatives of the customers residing in Forty Love Point (“the HOA”) have cooperated in the study of this project and consulted with the Office of Regulatory Staff. The undersigned parties have identified the necessary components of the interconnection project. Each is described below.

1. Estimated cost and bill impact of the interconnection project

CWS obtained an estimate of the probable cost of building a line establishing an interconnection from W.K. Dickson engineering company in July of 2014, which is attached as Exhibit 1. W.K. Dickson analyzed several alternatives of varying scope and cost. The selected

¹ Order No. 2014-207, PSC Docket No. 2013-275-WS, p. 22. While the Commission’s Order only refers to Forty Love Point, the two neighborhoods are served by the same water system.

estimate, an interconnection with a 12-inch line, which would allow the provision of fire hydrant service to the Forty Love Point subdivision (Indian Fork's older lines are not large enough to support fire service) would cost \$1,048,000.² The actual cost of the project may vary. If the interconnection is established, CWS will also need to recover the undepreciated cost of stranded assets.

For customers, the cost of distribution service would be higher than the current well water service. While the customers' base facility charge would remain the same at the current rate of \$12.49 per month, the volumetric water supply charge would increase from \$4.72 per 1,000 gal. to the rate charged by the City of Columbia, currently \$4.91 per 1,000 gal. (or \$3.67 per 100 cu. ft., as billed by the City of Columbia). There would also be an added distribution charge of \$2.71 per month per 1,000 gal.³ and a charge for "unbilled authorized consumption" and "water losses" (often referred to as "unaccounted for water" or "UAW") used for general system maintenance such as flushing or lost due to leaks in the system.⁴ Customers would likely see rate increases in a range of 25% to 60% depending on their monthly usage, which varies widely.⁵ It also should be kept in mind that rates could vary in the future, as the cost of bulk water from the City of Columbia and CWS's distribution service could, and likely will, increase.

² The actual cost of the project will vary from the estimate. CWS will conduct a Request for Proposals before entering into a contract for the interconnection project.

³ The quoted City of Columbia rates were in effect as of August 4, 2014. The CWS rates were those approved by the Commission in the above-captioned docket in Order 2014-207.

⁴ The method of billing the affected customers for unaccounted for water is still the subject of discussions between the parties.

⁵ The median water usage in the two neighborhoods was 5,921 gal per month during the 2013 calendar year. The average monthly usage was 6,530 gal. per month. The lowest average monthly usage was 1,225 gal. per month, and the highest was 32,767 gal. per month. All calculations are based on 211 customer accounts that were active during each month of 2013. Eleven other accounts were active fewer than twelve months.

2. Customer acceptance of the interconnection and resulting rate impact must be ascertained.

The HOA has informally surveyed customers of the subdivisions and reports that there is general acceptance for the project. With the Commission's approval, each customer would be provided with an explanation of the proposed project, including an explanation of the projected impact on the customers' bill, and customers would be asked to vote in an advisory referendum on the change of service. The parties are presently exploring the best format for conducting the referendum. Balloting by U.S. mail, email, and telephone is being considered. The parties expect to propose a plan for the referendum within thirty (30) days of this study being filed. Once approved, balloting could be conducted within thirty days.

3. If the referendum indicates support for the interconnection project, CWS will request approval of the interconnection agreement and bulk water contract from the Commission.

If there is sufficient support for the interconnection, CWS will request that the Commission approve the interconnection agreement and bulk water contract with the City of Columbia. Because CWS will seek to include the total cost of the interconnection project and its stranded assets in rate base, CWS will also ask the Commission to indicate that it views the interconnection project and the retirement of its stranded assets as prudent. The actual expenses incurred in connection with the project would be subject to approval in the Company's next rate case.

4. Construction will begin after approval of the interconnection agreement.

If the Commission approves the interconnection agreement, CWS will begin construction on the project shortly thereafter. It anticipates that the project could be concluded within six months of its start date. Construction of the line and the transition to distribution service could likely be accomplished within six months following a prudency determination by the Commission.

CONCLUSION

A projected schedule for the interconnection project necessarily involves many variables and some speculation. However, subject to the Commission's schedule, the parties envision that the referendum process could begin as soon as November of 2014. If the results of the referendum show support, approval of the interconnection agreement and bulk water contract would be sought shortly thereafter. Again, subject to the Commission's schedule, construction of the pipeline could begin in July of 2015, to be completed by the end of the year.

Respectfully submitted

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